

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 AGR-20 SPM-01 DODE-00 PA-04 USIA-15 PRS-01

DRC-01 /179 W

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R 191915Z NOV 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 4355

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E.O. 11652: N/A

TAGS: EGEN, AR

SUBJ: CONSUMER PRICE INDEX: OCTOBER

REF: BA-7591

BEGIN UNCLASSIFIED

1. OFFICIAL CONSUMER PRICE INDEX INCREASED BY 1.6 PERCENT IN OCTOBER, RESULTING IN 31.9 PERCENT INCREASE SINCE JANUARY1, AND 50.6 PERCENT INCREASE OVER PAST 12 MONTHS. WITH THIS INCREASE, PRICE INDEX HAS RISEN BACK UP TO ABSOLUTE LEVEL REACHED IN MAY 1973, WHEN NEW PRICE POLICY WAS PUT INTO EFFECT. STABILITY OVER LAST FIVE MONTHS HAS RESULTED IN STEADY DECLINE IN ANNUAL RATE OF INCREASE, WHICH HAD REACHED 78 PERCENT IN MAY.

2. OCTOBER INCREASE DUE TO INCREASES IN FOOD (1.5 PERCENT), CLOTHING (3.2 PERCENT), GENERAL EXPENDITURES (0.5 PERCENT, AND HOUSEHOLD SUPPLIES (1.9 PERCENT). FIFTH CATEGORY, HOUSING, CONTINUED UNCHANGED.

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3. IN ANNOUNCING OCTOBER FIGURES, SECRETARY OF COMMERCE REVESTIDO ATTRIBUTED MAJOR SHARE OF INCREASE IN FOOD AND CLOTHING CATEGORIES TO SEASONAL FACTORS, WHICH HE SAID WERE OVERSTATED BY PRESENT METHOD OF COMPILING INDEX. HE INDICATED, THEREFORE, THAT MODIFICATIONS WOULD PROBABLY BE MADE TO CORRECT AND UPDATE INDEX, WHICH IS BASED ON 1959 "MARKET BASKET."

4. WHOLESALE PRICE INDEX REPORTED AS INCREASING ONLY 0.1 PERCENT IN OCTOBER, AND THUS STILL REMAINS BELOW PEAK OF MAY 1973.

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5. WHILE IT GENERALLY ACCEPTED THAT SIGNIFICANT PRICE INCREASES IN SOME SECTORS ARE INEVITABLE, GOA HAS SUCCEEDED IN HOLDING HIGHLY VISIBLE RETAIL PRICES AT LEVELS FIXED FIVE MONTHS AGO. IN THOSE FEW AREAS WHERE OBVIOUS SHORTAGES DID DEVELOP, THEY NOW APPEAR TO HAVE BEEN CORRECTED, EITHER THROUGH LIMITED PRICE INCREASES (POTATOES AND POULTRY) OR, IN THE CASE OF BEEF, THROUGH SUSPENSION OF INTERMEDIATE SALES TAX WHICH LEFT RETAIL PRICE UNCHANGED.

6. SPECIAL SECTORIAL COMMITTEES ESTABLISHED OVER MONTH AGO TO RECEIVE AND CONSIDER REQUESTS FOR INCREASES ARE UNDERSTOOD TO HAVE ONLY BEGUN TO HEAR ACTUAL REQUESTS IN LAST WEEK OR TWO. WIDELY BELIEVED THAT SIGNIFICANT INCREASES WILL BE PUT OFF AT LEAST INTO DECEMBER AND EVEN THEN MAY BE STAGED OVER PERIOD OF MONTHS. GOVERNMENT, OF COURSE, HAS STRONG INCENTIVE TO DELAY INCREASES, PARTICULARLY AT RETAIL LEVEL, UNTIL DECEMBER OR JANUARY TO MINIMIZE CLAIMS BY LABOR UNIONS, WHICH WILL BE SEEKING SOME COMPENSATION FOR COST OF LIVING INCREASES WHEN PRESENT CONTRACTS EXPIRE IN DECEMBER. (IN THIS REGARD, GOA ALSO RECENTLY ANNOUNCED DECLINE IN UNEMPLOYMENT IN BUENOS AIRES AREA FROM 6.1 PERCENT REPORTED IN APRIL TO 5.5 PERCENT IN AUGUST.) TOO GREAT A DELAY IN ALLOWING PRICE ADJUSTMENTS, ON THE OTHER HAND, COULD HAVE SERIOUS EFFECT ON PRODUCTION IN THOSE INDUSTRIES WHICH CONTINUE, IN ANTICIPATION OF EVENTUAL RELIEF, TO OPERATE AT LOSS.

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Message Attributes

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